

# INvesting INdiana

Indiana's Investor Education Newsletter – encouraging every Hoosier to *investigate before you invest*.

February 3, 2004  
Volume 1: 1

## A Note from Secretary Rokita

My Fellow Hoosiers:

It is with great excitement that I introduce to you Indiana's inaugural Investor Education Newsletter. Since I took office in January of 2003, my office has been working diligently to educate Hoosiers about minimizing the risk associated with investment. Under state law, my office is charged with regulating the securities industry in Indiana and investigating any alleged fraud. We have set high standards for a new investor education program that will educate Hoosiers about the importance of investment fraud awareness. In doing this, we have formed partnerships with the Indiana Council for Economic Education (ICEE), Indy Saves and other financial literacy groups. These groups have strong, positive messages about financial awareness.

For years, the Indiana Secretary of State's office has served Hoosiers by pursuing investment fraud cases and working to protect Indiana investors' hard-earned money. I look forward to the opportunity to further serve our great state with a program that will aid Hoosiers – young and old alike – in making sound investment decisions.

Sincerely,



Todd Rokita  
Indiana Secretary of State

## Secretary of State Todd Rokita Unveils New Posters on Financial Literacy

"You can be anything you want to be," remarked Secretary of State Todd Rokita as he introduced a poster series about financial literacy to Warren Central High School students on October 30, 2003. Secretary Rokita stressed that when encouraging youth to set goals and aspire to great



Harlan Day of the ICEE, Secretary Rokita, and Commissioner Joven present the posters to economics teacher Bill Bush.

achievements, it is important to help them understand their financial limits and responsibilities. The series of six posters was developed through Secretary Rokita's partnership with the Indiana Council for Economic Education (ICEE). The posters were presented to Warren Central High School economics teacher Bill Bush because of his continued involvement in financial literacy awareness. (Continued on page 5)

## **Just Click *Delete!***

Not so long ago, the word “Spam” meant little more than a meat product found in a can at the grocery store. Today, however, this four-letter word is recognized as junk e-mail, and it often crowds our inboxes more than it does the grocery shelves. While topics range from obscene to just plain obnoxious, occasionally a message appears on your screen that seems too tempting to pass up. Maybe it says something like “Double Your Money in 2 Weeks!” or even better, “Make Thousands of Dollars Every Day Without Spending a Dime!” If you read such e-mails, you may understand what an enticing fantasy they promote. But that is just what it is – a fantasy. These e-mails make fantastic promises that cannot be fulfilled. These “get rich quick” schemes may attempt to get you to invest in a product, a job opportunity (asking you to pay for software or a training kit), or any variation of these. Regardless of the opportunity the e-mail touts, it almost always asks for money and almost never returns on its promises.

One of the most famous scams, known as the Nigerian “419” e-mail scam, dates back years before e-mail even existed. There are thousands of versions of this e-mail, but they all ask the same thing: they seek your assistance in transferring a large sum of

money from a foreign country into the United States (using your personal bank account). In return, the sender promises you a percentage of the money as compensation for your assistance. If you choose to help, the transfer is inevitably held off (for various reasons), and you are asked to send money to help them until they can make the transfer. The scam artist continues to promise to make the transfer and promises that you will receive full repayment of all costs to you, plus a percentage of the transferred funds. As unrealistic as this may sound, people succumb to it every day.

To learn more about the Nigerian e-mail scam, visit one of the following: [www.snopes.com/inboxer/scams/nigeria.htm#add](http://www.snopes.com/inboxer/scams/nigeria.htm#add) or [home.rica.net/alphae/419coal/](http://home.rica.net/alphae/419coal/).

Regardless of whether you receive it from Nigeria or from next door, be wary of any e-mail that asks for your money, personal information, or account numbers. While it may be enticing to earn thousands of dollars in no time at all, these too-good-to-be-true offers are just that. If it seems too good to be true, it probably is. Any unsolicited e-mail should always be treated with caution. When in doubt – *just click delete!*

## **Partners in Education**

Indiana Secretary of State Todd Rokita and The Indiana Council for Economic Education (ICEE) have been working closely together for the past several months. The Secretary of State's Office has not only been a part of the development of the financial literacy posters (see article on page 1) but has also been participating as a presenter in the ICEE Stock Market Simulation (SMS) workshops. The ICEE is an invaluable asset to students, teachers, and parents in the state of Indiana. The workshops have been helpful in the development of the Secretary of State's Investor Education

Program by providing materials, presentation opportunities, and a connection to a large network of people interested in investor education around the state.

If you are interested in finding out more about the ICEE, please check out the organization's website at [www.econed-in.org](http://www.econed-in.org). If you would like further contact information for the ICEE, please contact Stephanie Beck at the Secretary of State's Office at [sbeck@sos.state.in.us](mailto:sbeck@sos.state.in.us) or (317) 232-0734.

## Beware the Ponzi Scheme

You may have never heard of Charles Ponzi, but his name will be forever on the lips of securities regulators – at least as long as schemers continue to operate fraudulent investment opportunities in a manner such as his.

Charles Ponzi took a common scheme and made it monumental. His scheme uses the money from later investors to pay back its early investors. This idea of “robbing Peter to pay Paul” eventually comes crashing down, just as it did on Ponzi during the 1920s.

Ponzi convinced his investors that he could make a profit from the difference in foreign currency mail coupons. He reasoned that he could purchase millions of dollars in mail coupons from a country with a weaker economy. He then, in turn, would convert those coupons into American coupons – gaining a profit – and then convert the United States mail coupons into cash by selling them to a third party.

Millions of dollars were invested in a matter of months, and to prove the value of his investment opportunity, Ponzi paid back his early investors (fulfilling his promise of “Double your money in ninety days!”) using money from his later investors.

Ponzi was eventually caught and convicted of investment fraud but not before his investors lost millions of dollars in his scheme. Today, people are still running schemes just like his, and unsuspecting investors – looking for quick, high profits with little risk – are falling for them.

In Indiana, investors have fallen victim to swindlers using the Ponzi method. Don Pratt (see “Criminal Convictions” on page 4) of Bartholomew County created a business where investors would invest money used to fund loans for people seeking a new car or a new home. The investors’ money would accrue interest as the borrowers paid back their loans. While Pratt’s business began as a legitimate investment opportunity, increased use of credit cards and bank loans caused his business to collapse. Unfortunately, Pratt continued to operate his business – using money from later investors to pay off earlier ones. Sound familiar? Yes, just like Ponzi, Pratt was scamming people out of their hard-earned money.

So, what can we learn from Ponzi and Pratt? Protect your money. Do not be fooled by people who promise a high return in a short period of time, and never believe that any investment is a “sure bet.” When it comes to investing, there is always risk. No investment can carry a risk-free promise.

Indiana investors – beware the Ponzi scheme, no matter whose name is on it.

## Teachers’ Resources

A program aimed at providing teachers with useful information, resources, and additional materials for the economics classroom is sponsored by the Investor Protection Trust (IPT), the North American Securities Administrator’s Association (NASAA) and the North American Securities Dealers’ Association (NASD). The program, which offers a state-specific teaching guide that can be downloaded from their website at no cost, is called Financial Literacy 2010 (FL2010).

The FL2010 teaching guide is comprehensive, accurate, and easy to follow. In fact, the Secretary of State’s Office uses this as a reference resource. For information about the teaching guide, please visit the website at [www.fl2010.org](http://www.fl2010.org). There are also a limited number of hard copies made available through the Secretary of State’s Office. For information, please contact Stephanie Beck at [sbeck@sos.state.in.us](mailto:sbeck@sos.state.in.us) or (317) 232-0734.

Many other great resources for teachers are available through the Indiana Council for Economic Education (ICEE), including the financial literacy posters mentioned on page 1 of this newsletter. Additional resources, including the Indiana Stock Market Simulation and a teaching curriculum called Financial Fitness for Life, are also available through the ICEE. Please see our “Partners in Education” article on page 2 for further information about this group.



---

## On the Web

Do you absolutely hate financial planning? If so, you might want to check out [www.ihatefinancialplanning.com](http://www.ihatefinancialplanning.com). The website offers a wealth of great information and tools to help you get your financial house in order. These are just some of the things that this website has to offer:

- ◆ Twenty-two different calculators that help you do everything from debt payoff estimates to saving for college, a home, or even a wedding
- ◆ A weekly newsletter sent via e-mail; the newsletter generally offers suggestions for investing, saving, and/or paying off debt. It also provides definitions for financial jargon and includes a weekly poll just for fun.
- ◆ An A-to-Z glossary of financial terms
- ◆ A “Fun and Games” section
- ◆ A *free* “QuickPlan” that guides you through steps you can take to attain your own personal financial goals

It is free to register with the website, which offers a personalized profile so that it becomes more specific to your needs. The best part about this site is that it is intended for the average person. Everything is put into understandable layman’s terms. This website is a great resource. Its light approach makes it user-friendly and even fun. It is extremely resourceful and entertaining at the same time. If you truly do struggle with your financial planning, you may benefit from a site like [ihatefinancialplanning.com](http://ihatefinancialplanning.com). Good luck, and happy financial planning!

---



## Criminal Convictions



The Following is a list of recent cases that the Indiana Secretary of State’s office has participated in prosecuting. The Secretary of State would like to thank all the law enforcement officers, agencies, and prosecutors who have helped make these convictions possible.

- David Shaw was convicted of two counts of theft, two counts of corrupt business influence, and three counts of securities fraud in Marion County and is currently serving a ten-year prison sentence.
- Don Pratt was convicted of selling unregistered securities and acting as an unregistered agent in Bartholomew County. He was ordered to serve three years of an eight-year prison sentence.
- Grady Rogers was convicted of twenty-two Class C felonies, consisting of the offer and sale of unregistered securities, operating as an unregistered broker-dealer, and one count of corrupt business influence in Howard County. Rogers is currently serving a 35-year prison sentence.
- Casimir Szpunar was found guilty of selling unregistered securities and sale of securities by an unregistered broker-dealer in Marion County. Szpunar received a four-year sentence – two years in the residential component of community corrections and two years on probation.
- William Hines has pled guilty to one count of selling unregistered securities and one count of acting as an unregistered agent in Newton County. Hines will be sentenced in May of 2004.
- David Proctor has pled guilty to the sale of unregistered securities in Marion County. Proctor will be sentenced in April of 2004.

Additional charges against individuals alleging securities violations have been filed by prosecutors throughout Indiana.

Keep in touch for additional updates.

### Securities Jargon: Mutual Funds

A mutual fund is an investment company that pools, or combines, money from various investors and uses that money to purchase stocks and bonds. There are literally hundreds of mutual funds from which investors may choose, and most investors can find one suited to their needs by reviewing a prospectus. Each fund has its own investment objectives and philosophies – focusing on things such as income or growth. The most common type, known as an open-end mutual fund, allows investors to buy and sell stock within the fund on an ongoing basis.

There are a number of advantages in investing in mutual funds. First, it allows the investor to choose a fund manager with expertise in selecting stocks and bonds. Second, these managers usually have large sums of money to invest; this allows them to diversify their portfolios and reduce an investor's exposure to market risks. Finally is price of mutual fund investments. The costs associated with a mutual fund investment are lower than investors would pay if they were buying stocks and bonds on their own.

For a more in-depth look at mutual funds, visit [www.investorwords.com/3173/mutual\\_funds](http://www.investorwords.com/3173/mutual_funds) or [www.ihatefinancialplanning.com](http://www.ihatefinancialplanning.com) and under the "Topics" menu, select "mutual fund."



### Poster Unveiling (continued from page 1)

Using a youth-centered theme, the posters highlight six key issues: the basic principles of economics, investment scams, steps to save and build wealth, the power of compound interest, and a financial planning pyramid. Explaining the pitfalls of bad investments and power behind compound interest are among the features of these posters.

After Secretary Rokita spoke, the students were given the opportunity to ask questions about the posters, financial literacy, and the Secretary of State's office in general. Securities Commissioner James Joven fielded some questions as well, helping to explain the importance of making sound financial decisions at an early age.

Among the advice given to the students was the following: avoid credit card debt and the high interest rates associated with it, look into investing now, and start saving – setting money aside early can lead to a better financial situation later in life. The posters focus on these and other important issues.

The posters are distributed to teachers throughout the state of Indiana. Any teacher who participates in the Stock Market Simulation through the ICEE will receive a free set of the posters. Posters are also available to others who wish to view or purchase them. Information can be found via the web at [www.kidseconposter.com](http://www.kidseconposter.com) or by phone at 765-494-8540.



## **Indiana Secretary of State Todd Rokita Investor Education Program**

<b>Todd Rokita</b>	<i>Indiana Secretary of State</i>	(317) 232-6536
<b>Heather Willis</b>	<i>Deputy Secretary of State</i>	(317) 232-6532
<b>James Joven</b>	<i>Indiana Securities Commissioner</i>	(317) 232-6681
<b>Amy Wolf</b>	<i>Chief Deputy Securities Commissioner</i>	(317) 232-6681
<b>Silvia Miller</b>	<i>Chief Counsel to the Securities Commissioner</i>	(317) 232-6681
<b>Stephanie Beck</b>	<i>Investor Education Coordinator</i>	(317) 232-0734

*For more information regarding the Investor Education Program, please contact  
Stephanie Beck at the above number by e-mail at [sbeck@sos.state.in.us](mailto:sbeck@sos.state.in.us).*

# **INvesting INdiana**

Indiana Secretary of State Todd Rokita  
Securities Division  
302 West Washington Street, E-111  
Indianapolis, IN 46204